

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Industries and Commerce – Establishment of International Leather Complex at Krishnapatnam, Nellore District – Orders – Issued.

INDUSTRIES AND COMMERCE (SSI) DEPARTMENT

G.O.Ms.No.138
06-06-2008

Dated:

Read the following:-

1. From the Joint Secretary, Ministry of Commerce & Industry, Department of Industrial Policy and Promotion, Government of India, New Delhi, D.O. Letter No.5(11)/2002-Leather, dated 4.2.2005.
2. From the Director, Ministry of Commerce & Industry, Department of Industrial Policy and Promotion, Integrated Finance Wing, Govt. of India, New Delhi, Office Memorandum F.No.1(1)/2004-Finance-II, dated 22.3.2005.
3. G.O.Ms.No.46, Industries & Commerce (SSI) Deptt., dated 18.2.2005.
4. From the Director, Ministry of Commerce & Industry, Department of Industrial Policy and Promotion, Integrated Finance Wing, Govt. of India, New Delhi, Office Memorandum F.No.1(1)/2004-Finance-II, dated 2.12.2005.
5. From the Director, Ministry of Commerce & Industry, Department of Industrial Policy and Promotion, Government of India, New Delhi, D.O. Letter No.5(1)/2006-Leather, dated 22.2.2006.
6. G.O.Ms.No.108, Industries & Commerce (SSI) Deptt., dated 13.4.2006.
7. G.O.Ms.No.109, Industries & Commerce (SSI) Deptt., dated 15.4.2006.

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ORDER:-

In the reference second read above, the Government of India, Ministry of Commerce & Industry, Department of Industrial Policy and Promotion have accorded in principle approval for setting up of an International Leather Complex in Nellore District, Andhra Pradesh with maximum central assistance of Rs.30.00 crores. A detailed Project Report has been prepared by the Central Leather Research Institute, Chennai and it was sent to concerned Central Ministry Departments and Expenditure Finance Committee. The Planning Commission, Government of India have also cleared the proposal and requested the State Government's comments.

2. In the G.O. third and seventh read above, Government have permitted the Leather Industries Development Corporation of Andhra Pradesh (LIDCAP) to register a Special Purpose Vehicle (SPV) for managing the International Leather Complex (ILC) at Krishnapatnam, Nellore District with the following composition:

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|----------------------------------|---|----------|
| 1. Secretary to Government | - | Chairman |
| Industries & Commerce Department | | |

2. Director Central Leather Research Institute (CLRI), Chennai.	-	Vice-Chairman
3. Executive Director, Council for Leather Export	-	Member
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4. Deputy Secretary, Department of industrial Policy & Promotion, Udyog Bhavan, New Delhi.	-	Member
5. District Collector, Nellore	-	Member
6. VC & MD, LIDCAP	-	Member and Convener
7. IL&FS, Nominee	-	Member
8. LIDCAP Chairman Invitee	-	Special

3. In the reference fifth read above, The Director, Ministry of Commerce & Industry, Department of Industrial Policy and Promotion, Government of India has informed that the Expenditure Finance Committee has considered the proposal for establishment of International Leather Complex at Nellore, Andhra Pradesh and recommended the proposal, subject to certain observations made in the Expenditure Finance Committee meeting held on 10.1.2006.

4. A review meeting was held in the Chambers of Hon'ble Chief Minister on 19.01.2006 and the following decisions have been taken:

1. The land taken from APGENCO to the extent of 307.57 acres will be transferred to LIDCAP. The Vice-Chairman and Managing Director, LIDCAP will reimburse an amount of Rs.1,81,46,340/- from the funds generated by the Special Purpose Vehicle (SPV) formed for establishment of the Park;

2. The Andhra Pradesh Industrial Infrastructure Corporation Ltd. (APIIC) shall workout the cost of land transferred by APIIC other than surplus land and it will be reimbursed by the Industries & Commerce Department from out of the Land Acquisition Funds released to APIIC/SPV funds;

3. The Draft Project Report (DPR) proposals prepared by CLRI with a total outlay of Rs.194.01 crores, out of which Rs.30.00 crores is Central assistance, Rs.114.01 crores is Project cost and Rs.50.00 crores is the additional expenditure for providing connecting roads, power supply etc. and the amount of Rs.164 crores shall be realized through sale of land by appointing a Developer after calling for expression of interest.

4. Vice Chairman and Managing Director, APIIC shall call for expression of interest and appoint a developer in consultation with IL&FS.

5. Accordingly, orders were issued in G.O.Ms.No.108, Industries & Commerce (SSI) Deptt., dated 13.4.2006 as detailed below:

1. The land taken from APGENCO to the extent of 307.57 acres will be transferred to LIDCAP. The Vice-Chairman and Managing Director, LIDCAP will reimburse an amount of Rs.1,81,46,340/- from the funds generated by the Special Purpose Vehicle (SPV) formed for establishment of the Park;

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2. The APIIC shall workout the cost of land transferred by APIIC other than surplus land and it will be reimbursed by the Industries & Commerce Department from out of the Land Acquisition Funds released to APIIC/SPV funds;

3. Government also hereby appoint the I.L. & F.S. as consultants on payment of 2% consultancy charges.

4. The Draft Project Report (DPR) proposals prepared by CLRI with a total outlay of Rs.194.01 crores out of which Rs.30 crores is central assistance, project cost Rs.114.01 crores and an additional proposed expenditure of Rs.50 crores for providing connectivity roads, power supply, out of which Rs.29 crores will be received from G.O.I. as Central Assistance, and the balance amount of Rs.164 crores shall be realized through sale of land by appointing a Developer after calling for expression of interest.

5. Vice Chairman and Managing Director, LIDCAP shall call for expression of interest and appoint a developer in consultation with IL&FS.

6. The Vice Chairman & Managing Director, APIIC who has been requested for transfer of 104.92 acres of land belonging to APIIC, has stated that the APIIC can develop the proposed International Leather Park as the APIIC is having required expertise, manpower and experience in developing the Projects/SEZ and the LIDCAP has no such expertise and further stated that:

1. As regards the land for the project, for which an extent of 412.41 acres has been identified, 104.92 acres is already in possession of APIIC and the balance 307.57 acres will be obtained from APGENCO, duly exchanging equivalent extent in the adjacent area in Pynapuram village, which is in possession of APIIC. In the meeting held in the chambers of Hon'ble CM and subsequent discussions with CMD, APGENCO, they have agreed to this swapping of land, thus enabling APIIC to make available the entire area of 412.41 acres, for this project. As the above land will be swapped by APIIC with APGENCO, question of payment of consideration of Rs.1.81 crores by LIDCAP to APGENCO or tapping the same under IIDF, does not arise.

2. While structuring the project, based on the project report prepared by CLRI, the value of land to be utilized for the project will be taken as equity contribution of APIIC and Government of India grant to be received by LIDCAP will be treated as equity of LIDCAP, for the project. The debt component of Rs.68.10 crores indicated in the project will be met through internal funding by APIIC, which will be recovered subsequently through sale of plots in the Leather Park, proposed to be developed.
3. With this arrangement, the cumbersome process of transfer of land from APGENCO/APIIC to LIDCAP and in turn, from LIDCAP to SPV company (Joint Venture of LIDCAP and APIIC) can be avoided. APIIC Board will pass an enabling resolution for taking up the project through the equity route, duly forming an SPV with LIDCAP as the partner.
4. APIIC will be the developer for this project and the amount of Rs.23.10 crores indicated in the CLRI Report as developer's contribution, will be

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made by towards infrastructure development, for the project, which will be recovered partly through the sale proceeds of the plots.

7. Government after careful examination hereby accord sanction for establishment of International Leather Complex at Krishnapatnam, Nellore District in an extent of 412.41 acres of land. The APIIC is the developer of the project with total outlay of Rs.194.01 crores, of which Rs.30.00 crores will be as Government of India grant, and Rs.50.00 crores will be from IIDF for development of infrastructure and the balance of Rs.114.01 crores through a special purpose vehicle in which LIDCAP will be a member. Government of India's grant of Rs.30.00 crores to be received by LIDCAP will be treated as equity of LIDCAP in the Project and is as detailed below:

- 1. The International Leather Complex at Krishnapatnam has been approved in favour of LIDCAP by Government of India, it is essential that the LIDCAP shall be an Agency in the Project and it will be developed in an extent of 412.41 acres of land;**
- 2. The International Leather Complex Project will be developed by APIIC in an extent of 412.41 acres, of which, 104.92 acres is already in possession of APIIC and the balance 307.51 acres will be taken from APGENCO by swapping of the land duly exchanging equivalent extent in the adjacent area in Pynapuram village, which is in possession of APIIC. The question of payment of Rs.1.81 crores by LIDCAP to APGENCO by tapping the funds from IIDF which was originally proposed vide G.O.Ms.No. 108, Industries & Commerce (SSI) Department, dt. 13.04.2006 does not arise;**

3. **While structuring the project, based on the project report prepared by CLRI, the value of land to be utilized for the project will be taken as equity contribution of APIIC and Government of India grant to be received by LIDCAP will be treated as equity of LIDCAP, for the project. The debt component of Rs.68.10 crores indicated in the project will be met through internal funding by APIIC, which will be recovered subsequently through sale of plots in the Leather Park, proposed to be developed.**
4. **The Project shall have Government of India's assistance i.e., 20% of the Project cost, subject to a maximum of Rs. 29 crores. The State Government shall provide infrastructure such as roads, power, water etc., through IIDF;**
5. **APIIC will be the developer for this project and the amount of Rs.23.10 crores indicated in the CLRI Report as developer's contribution, will be made by towards infrastructure development, for the project, which will be recovered partly through the sale proceeds of the plots.**
6. **Environment clearance shall be obtained before executing the Project.**

8. The orders issued in G.O.Ms.No.108, Industries & Commerce (SSI) Deptt., dated 13.4.2006 stands cancelled.

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9. The APIIC shall adhere to the following conditions while allotting the land to the entrepreneurs in the International Leather Complex :

- 1) The discharge from tanning units contains highly harmful chemicals like chromium etc., it is essential to take precautions to see that livelihood of fishermen shall not be harmed in any case because of discharge from this International Leather Complex into the sea.
- 2) Ensure that the units coming up in this Complex have—
 - i) Compulsory chromium recovery and reuse facilities.
 - ii) Common Residual chromium recovery unit to reduce chromium levels as per Pollution Control norms.
 - iii) The discharge is to be tested practically to find its suitability for aquaculture then only it should be released into the sea.
 - iv) The CLRI has to pre-screen and recommend the companies with good track record of managing pollutants and only such companies shall be given land in this Leather Complex.

10. The APIIC shall identify a recognized agency through CLRI for setting up of a Common Effluent Plant to provide the above facility to the entrepreneurs in the International Leather Complex, Nellore.

11. The APIIC shall nominate a representative from CLRI as a Director (Technical) on the Board of the SPV of the Leather Complex.

12. The SPV shall have a Member from Government in Finance Department who is looking after the subject of Industries.

13. Work will be taken up only after tying up finances in full.

14. The Vice Chairman & Managing Director, APIIC shall take necessary action accordingly.

15. This order issues with the concurrence of Finance (Expr.I&C) Department vide their U.O.No.11906/236/Expr.I&C/08, dated 3.6.2008.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

Y. SRILAKSHMI,
SECRETARY TO GOVERNMENT

To

The VC&MD, APIIC, Hyderabad.

The VC&MD, LIDCAP, Hyderabad.

Copy to:

The Director, Ministry of Commerce & Industry, Department of Industrial

Policy & Promotion, Integrated Finance Wing, Govt. of India, New Delhi.

The Central Leather Research Institute, Adyar, Chennai-600020.

The Finance (Expr.I&C) Department.

P.S. to C.S.

P.S. to M (SSI)

P.S. to M (MI)

P.S. to Addl.Secy to C.M.

SF/SC

//FORWARDED::BY ORDER//

SECTION OFFICER